

Message Text

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DRAFTED BY EUR/EE:EHURWITZ/FDR

APPROVED BY EUR/EE:RHOUSTON

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P 102203Z JUN 74

FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 118617

FOLLOWING REPEAT STATE 118617 ACTION PRAGUE 5 JUNE 1974. QUOTE:

C O N F I D E N T I A L STATE 118617

E.O. 11652: GDS

TAGS: PFOR,EFIN,L/C/LZ,US

SUBJECT:FINANCIAL NEGOTIATIONS:PROPOSAL ON SURPLUS

PROPERTY DEBT

REF; PRAGUE 828

1. FOLLOWING IS PROPOSAL THE DEPARTMENT HAS WORKED OUT WITH
TREASURY REGARDING SURPLUS PROPERTY DEBT:

2. PRINCIPAL PAYMENTS: AS OF JULY 1,1974 CZECHS WILL OWE
\$4,480,278.56 IN PRINCIPAL. ON JULY 1,1975 AND JULY 1,
1976 ADDITIONAL PAYMENTS OF \$194,794.72 EACH WILL BECOME
DUE, MAKING A TOTAL PRINCIPAL INDEBTEDNESS BY THE TIME THE
AGREEMENT RUNS OUT ON JULY 1,1976 OF \$4,869,868.10.

3. WE PROPOSE THAT CZECHS PAY \$2,869,868.10 AT THE TIME
FINANCIAL SETTLEMENT GOES INTO EFFECT, WITH BALANCE OF \$2
MILLION BEING PAID IN INSTALLMENTS OF \$1 MILLION EACH ON
JULY 1, L975 AND JULY 1, L976. WE WOULD AT THE SAME TIME
ASK CZECH CONCURRENCE THAT THE USG COULD SPEND UP TO \$2
MILLION TO BUY REAL PROPERTY IN CZECHOSLOVAKIA AT REASONABLE
PRICES DURING A THREE-YEAR PERIOD BEGINNING WITH DATE THE
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FINANCIAL AGREEMENT GOES INTO EFFECT.

4. INTEREST PAYMENT: THE INTEREST DUE AS OF JULY1,1974 WILL BE IN THE NEIGHBORHOOD OF 2.7 MILLION DOLLARS, WITH THE TOTAL INTEREST INDEBTEDNESS RISING BY JULY 1, 1976 TO

AROUND \$2.9 MILLION. (THE FIGURES WOULD VARY SOMEWHAT, DEPENDING ON WHEN THE PRINCIPAL AND INTEREST PAYMENTS BEGIN.) WE PROPOSE THAT THE CZECHS PAY \$750,000 IN BACK INTEREST AT THE TIME OF SETTLEMENT AND ANOTHER \$750,000 ON JULY1,1975 ANDTHE BALANCE DUE IN INTEREST WOULD BE PAID ON JULY 1, 1976.

5. THE CZECHS WOULD MAKE THESE INTEREST PAYMENTS BY ESTABLISHING AN ACCOUNT IN A CZECH BANK FOR THE USG AGAINST WHICH THE EMBASSY COULD DRAW CROWNS AT THE RATE CURRENT AT THE TIME WITHDRAWALS ARE MADE OR AT THE RATE IN FORCE WHEN THE SETTLEMENT GOES INTO EFFECT IF THIS IS MORE ADVANTAGEOUS. THE UNSPENT BALANCE FROM THE FIRST TWO PAYMENTS WOULD BE TRANSFERRED TO THE USG IN DOLLARS ON JUNE 30,1976. THE UNEXPENDED BALANCE FROM THE THIRD PAYMENT WOULD BE PAID IN DOLLARS TO THE USG ON JUNE 30, 1978.

6. UNLESS EMBASSY HAS OBJECTION TO THIS PROPOSAL, WOULD APPRECIATE YOUR PRESENTING IT TO CZECHOSLOVAK NEGOTIATOR.

UNQUOTE SISCO

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